

PROCUREMENT POLICY MARCH 2013
(Amended 26th February 2014)

1. PRINCIPLES

The Procurement Policy is based on the following principles:

Accountability – the Council should be accountable for their performance and be able to give complete and accurate accounts of the use they have put public funds to, including funds passed on to others for particular purposes. They should also have suitable governance and management arrangements in place to oversee funding arrangements.

Openness – the Council should be transparent in their administration of funds, both to support accountability and to promote clarity and shared understanding of respective roles and obligations between entities and any external parties entering into funding arrangements.

Value for money – the Council should use resources effectively, economically, and without waste, with due regard for the total costs and benefits of an arrangement, and its contribution to the outcomes the entity is trying to achieve. This includes recognising the service and warranty benefits and provisions of support of local providers where prices are competitive. In addition, the principle of value for money for procuring goods or services does not necessarily mean selecting the lowest price but rather the best possible outcome for the total cost (or whole-of-life cost) for the community.

Lawfulness – the Council must act within the law, and meet their legal obligations.

Fairness – the Council must have a general public law obligation to act fairly and reasonably. The Council must be, and must be seen to be, impartial in their decision-making. The Council may also at times need to consider the imbalance of power in some funding arrangements, and whether it is significant enough to require a different approach to the way they conduct the relationship.

Integrity – Anyone who is managing public resources must do so with the utmost integrity. The standards applying to public servants and other public employees are clear, and the Council needs to make clear when funding other organisations that they expect similar standards from them.

When deciding how to give effect to the principles, consideration should be given to:

The goal – It is important for the Council to focus on what it is trying to achieve. The process should not dominate at the expense of the outcome.

Simplicity and proportionality – The requirements put in place for the funding arrangement should be as simple and practical as possible, considering the amounts involved, the complexity, and the level of risk. It is appropriate to consider compliance costs for both parties, and seek to reduce them where possible.

The context – The arrangements need to fit with the overall context of the funding arrangement, including any more general relationships that the external party has with the entity or with other relevant government organisations. For example, a funding arrangement between a department and a non-government organisation may need to take account of any general government policy on relationships with the community and voluntary sector.

The risk – the Council needs to identify risks in or around the funding arrangement and to consider how to manage those risks. This should not be seen as encouragement to be overly risk averse. The key is to get the right balance between risk and expected benefit, and to do so consciously.

The nature of the parties – The needs and standards of the Council – for example, for accountability or transparency – may be quite different from those that the external party usually encounters. Equally, the external party's needs may be quite different from those of the Council. For example, a non-government organisation may have unique obligations to constituent groups or members. Relationships are likely to proceed more constructively and effectively if each party understands the needs of the other and the consequences of those needs for them.

2. OBJECTIVES

The Procurement Policy objectives are to:

- provide best value for money over whole-of-life;
- provide open and effective competition;
- provide full and fair opportunity for all eligible suppliers;
- improve business capability, including e-commerce capability;
- require sustainably produced goods or services whenever possible;
- have regard to local, regional or national economic, environmental, and social impacts over their life cycle.

3. ENGAGEMENT OF EXTERNAL SUPPORT SERVICES AND CONSULTANTS

As a general guideline, the Council would not usually engage external support; except

- where there is an expectation that a conflict of interest could develop;
- to temporarily resource core, ongoing functions or activities; or
- to undertake tasks which the Council could not more cost-effectively and appropriately resource itself.

The consultancy support services to be considered include:

- **Specialised expertise or skills** - Certain types of expertise or skills may not be available internally, and it is not feasible or desirable to gain the skills through internal training or recruitment.
- **An external or unbiased opinion** - to have an independent evaluation, review or judgement that is not affected by internal considerations or influenced by past events.
- **External advice to management** - At critical stages in the Council's development, management may wish to take external advice – for example, at times of organisational change.
- **To undertake work quickly** - to boost its internal resources by engaging a consultant to help expedite business processes or to complete projects more quickly.
- **Staff training** - it may be impractical to train its staff comprehensively using its own resources and therefore, engage a consultant to undertake aspects of training.
- **One-off Projects**

Engagement of external support services will have regard to:

- description/objectives of the project;
- function and boundaries of the consultancy;
- outcomes and deliverables;
- project timetable – including milestones, deadlines and completion date;
- required knowledge, expertise and experience;
- how the consultancy will be costed – for example, fixed cost, daily or hourly rates and incidentals;
- proposed payment schedule;
- confidentiality requirements;
- conflicts of interest, disclosure, resolution and management;
- professional indemnity and public liability;
- intellectual property;
- contract conditions; and
- selection criteria.

Unless special circumstances exist, engagements anticipated to incur fees above \$50,000 will take place after an open ROI or RFP process, such special circumstances to be approved and noted by the CEO or corporate manager.

4. MATTERS TO CONSIDER IN PROCUREMENT DECISIONS

The amount of detail to take into account will depend on the value and associated risk of the procurement. The content may include:

- the project scope;
- the procurement method;
- selecting an evaluation model (including the evaluation criteria) and process;
- the type of contract and contractual conditions;
- the responsibilities of the Council's staff and any other stakeholders;
- the risks;
- Environmental impacts
- Health and safety issues
- Social and staffing impacts
- the need for independent oversight or assurance over the process;
- the timelines and key milestones;
- the resources needed (for example, project manager, evaluation team members, tender or proposal manager, and approving authority); and
- the budget, including the budget for conducting the procurement (for example, for external quality assurance, independent assurance, legal advice, and project management).

5. MATTERS TO TAKE INTO ACCOUNT FOR CONTRACTS

The factors that should be taken into account when selecting the type of contract include:

- the nature of the goods or services;
- the type and complexity of the procurement;
- the likely administrative costs for both parties;
- any likely difficulty in clearly defining the contract requirements;
- how much technical or operational co-ordination the Council will need to provide;
- the intended duration of the contract;

- the likely volatility of cost inputs;
- the extent of risk that either party will have to assume; and
- intellectual property.

6. PURCHASING HIERARCHY

Other than NZTA subsidised works, consideration will be given to the following purchasing hierarchy:

Maximum Limits:

Up to \$5000	Purchase from preferred local suppliers
\$5000-\$30,000	Quotes to be obtained from three preferred suppliers, unless competitive prices have been obtained from suppliers within the previous 6 months, or where there is a sole supplier of the specified item
\$30,000 - \$100,000	Invited tenders from preferred list
Over \$100,000	Open tenders

Any exception to the above hierarchy needs the confirmation of the officer's manager that a departure is warranted in the circumstances for reasons of efficiency, strategic benefit or urgency and will not put the Council at a disadvantage. The consideration for the manager is that the cost of seeking quotes or tenders would be out of proportion to the value of the benefit likely to be obtained or impractical in the circumstances.

7. PREFERRED SUPPLIERS

Suppliers of goods and services should be reviewed at the time of purchase, if this has not been undertaken in the last 2 years, to ensure products and services are regularly tested against the market. GSB contracts are recognised within the preferred supplier category.

8. SALE OF SURPLUS PLANT/EQUIPMENT/PROPERTY - PROCEDURES:

Surplus Plant/Equipment

- If currently valued at less than \$500 (either as a single item or as a 'job lot') the surplus may be disposed of by internal tenders in the first instance.
- If currently valued at \$500 or more, sale of any surplus will be by tender advertised in local papers or through Trade me Auction. Please note that contact should be made with other business units to co-ordinate the sale of surplus items.

Trades - Where new plant is being purchased and the surplus plant is to be treated as a trade in, quotes are to be obtained from alternative purchasers of the surplus plant to ensure maximum value of the surplus plant is obtained.

Property Sales - All property sales require Council approval. Unless otherwise determined by the Council, the method of sale will be either by advertisement or sale through real estate agents.

Any exceptions to the above procedures needs the confirmation of the officer's manager that a departure is warranted in the circumstances for reasons of efficiency or urgency and will not put the Council at a disadvantage.

9. TENDER PROCEDURES

(A “tender” means a formal offer to supply or purchase specified goods or services at a stated cost or rate)

NZTA Procedures

NZTA procedures will be used for all NZTA funded work.

Note: Council currently uses the NZTA competitive pricing procedures (CPP) manual as the procurement procedure for roading works (and other major civil works in other areas).

This procedure allows higher limits than the purchasing hierarchy proposed – and reflects the lower general risk associated with usually straightforward roading projects.

NZTA require this procedure to be replaced by our own procurement strategy by 1st October 2010. It is intended to produce a common procedure based on the CPP for the three Wairarapa councils to minimize cost. This procurement strategy will come before Council this year for approval.

These procedures may be adopted for tendering purposes for non NZTA work.

10. NON NZTA PROCEDURES

Subject to specific procurement decisions made by Council or any direct legal advice, where NZTA procedures are not adopted, the following procedures will apply:

Instructions for Tenders

Tenders issued should contain information relating to:

- The format in which the tender should be submitted;
- The closing date and time;
- Where to deliver the tenders;
- Tenderers, or their representatives, are invited to the tender opening;
- Identification of the tender (the tender number and subject should be clearly identified on the envelope, the envelope being marked “Tender for”);
- The specifications;
- Whether deposits should be payable;
- Criteria for the evaluation of tenders;
- Whether alternatives to the specified requirements will be considered;
- Occupational Safety and Health obligations need to be adequately covered; and
- Include reference to relevant conditions of tender.

Note:

Where the value of the impending contract is large, or at the CEO’s discretion, legal advice may be sought before tenders are called. It may also be advisable to stipulate when due diligence checks are to occur. Tenders for procurement of goods or services with high risk or complexity should use a two envelope evaluation procedure to ensure a robust process is used for quality risk verse price trade-off.

Invitation to Tender

Tenders will be invited by:

- Placing an advertisement in one or more newspapers which may be read by firms, or persons undertaking contracts; and/or
- Advertising in appropriate trade journals or periodicals.

Advertisements should clearly state:

- * The Council's name
- * The nature and purpose of the requirements
- * When tenders will close
- * That the Council will not necessarily accept the lowest, (or highest, if applicable) or any, tender.

Note:

For major items, to ensure an adequate number of tenderers are available, or where the timeframe of projects dictate, registration of interest before issuing the invitation to tender should be considered.

A minimum of 10 working days should be allowed between the first publication of the advertisement and the closing date for tenders unless RFIs have been obtained.

Receipt, Opening and Custody of Tenders

The following procedures are adopted:

- Place all tenders received in the main reception counter slot marked 'TENDER' or in a locked box clearly marked "Tender Box" if alternative reception is required;
- Ensure security of tenders received eg: the key to the tender box is to be in the care of an officer not associated with the contract;
- Ensure formal procedures for handling tenders sent through an "open" channel, such as facsimile or e-mail are covered by relevant instructions to staff;
- Open the tender box as soon as practicable after the closing time. Tenders should be opened without delay. The time of opening needs to be advised so that tenderers can be represented at the opening;
- Open tenders in the presence of at least two officers;
- Have one officer announce the name and amount of each tender, while the other records this information. The list of tenders should be ruled off directly below the last tender entered on the page;
- Have both officers initial the list of tenders;
- Tenderers, or their representatives, are permitted to attend the tender opening. Officers must ensure no discussion takes place on any matter affecting the contract.

Receipt of Late Tenders

Late tender submissions shall not be considered, and shall be returned unopened, less it can be shown to the Council's complete satisfaction that all reasonable steps were taken to ensure the tender submissions were submitted on time, and that at the closing time for the tender submissions, the particular tender submission was no longer within the tenderer's control. The Chief Executive Officer will have the sole discretion as to whether to accept a late tender.

Consideration and Evaluation of Tenders

When considering tenders, the following procedures are to be followed:

- Agree on criteria to be used in evaluating tenders (if not already done);
- For large contracts, agree whether presentations are required of tenderers;
- Refer all valid tenders to the officer or team qualified to evaluate the tenders. That officer or team then checks that each tender meets the specified terms and conditions of the contract. The tenderer's suitability and experience to perform the contract should be verified;
- Give to the officer or team the list of all tenders, as well as all relevant reports;
- Ensure if applicable, that the officer or team meets to consider all tenders (consistent with the Council's delegation policies in respect of entering into contracts), generally no later than 10 working days after the closing date;
- Keep notes of all meetings and supply a copy for the central records delegations file;
- Accept the most advantageous tender. This will normally be the lowest (or highest if applicable) priced tender after considering the relative merits of specification, sample, quality, delivery and other relevant aspects of performance;
- Where the lowest (or highest if applicable) priced tender is not accepted or where all tenders are rejected, record the reasons for the decision and refer to manager/committee for confirmation in accordance with the delegated authority;
- In circumstances where all tenders exceed estimates, but meet all other tender requirements, a report should be prepared for referral to the manager/committee in accordance with the delegated authority;
- Arrange for refunds of deposits if applicable; and
- Check any other reporting requirements in respect of delegated authorities, contracts under seal and the like.

Amendment of Tenders

The NZS3910 standard provisions in respect of errors in tenders are to apply. These provisions are appended to the policy.

Tender specifications may be amended when a tenderer has provided an alternative specification which would result in savings to the Council. However, if the alternative specification differs significantly from the original then other tenderers will be given the opportunity to tender again.

All amendments to tenders, and reasons for them, should be reported to the officer/committee responsible for their consideration.

Acceptance of Tenders

Tenders are to be accepted within the delegated authorities established by the Council. Any others need to go to a manager/committee meeting for acceptance.

Notification of Decision

All tenderers will be informed in writing of the outcome of the tender as soon as possible after the decision. The successful tenderer must be notified and the contract accepted before unsuccessful tenderers are advised. The notification to unsuccessful tenderers will include the name of the successful tenderer, the accepted tender price and the range of tender prices.